

Meeting of Federal Open Market Committee

June 19-20, 1972

MINUTES OF ACTIONS

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D. C., on Monday and Tuesday, June 19 and 20, 1972. The meeting began at 4:15 p.m. on Monday and continued at 9:30 a.m. on Tuesday.

PRESENT: Mr. Burns, Chairman  
Mr. Brimmer  
Mr. Bucher  
Mr. Coldwell  
Mr. Daane  
Mr. Eastburn  
Mr. MacLaury  
Mr. Mitchell  
Mr. Robertson  
Mr. Sheehan  
Mr. Winn  
Mr. Treiber, Alternate for Mr. Hayes

Messrs. Francis, Heflin, and Mayo, Alternate  
Members of the Federal Open Market Committee

Messrs. Morris, Kimbrel, and Clay, Presidents of  
the Federal Reserve Banks of Boston, Atlanta,  
and Kansas City, respectively

Mr. Holland, Secretary  
Mr. Broida, Deputy Secretary  
Messrs. Altmann and Bernard, Assistant  
Secretaries  
Mr. Hexter, Assistant General Counsel  
Mr. Partee, Senior Economist  
Mr. Axilrod, Economist (Domestic Finance)  
Mr. Solomon, Economist (International Finance)  
Messrs. Boehne, Bryant, Gramley, Green, Hersey,  
Hocter, and Kareken, Associate Economists

Mr. Holmes, Manager, System Open Market Account  
 Mr. Coombs,<sup>1/</sup> Special Manager, System Open Market Account

Mr. Melnicoff, Deputy Executive Director,  
 Board of Governors

Mr. O'Brien, Special Assistant to the Board of  
 Governors

Mr. Sammons,<sup>2/</sup> Associate Director, Division of  
 International Finance, Board of Governors

Messrs. Wernick and Williams, Advisers, Division  
 of Research and Statistics, Board of Governors

Mr. Gemmill, Adviser, Division of International  
 Finance, Board of Governors

Mr. Zeisel,<sup>2/</sup> Associate Adviser, Division of  
 Research and Statistics, Board of Governors

Miss Stockwell<sup>2/</sup> and Messrs. Ettin<sup>2/</sup> and Taylor,<sup>2/</sup>  
 Assistant Advisers, Division of Research  
 and Statistics, Board of Governors

Mrs. Junz,<sup>2/</sup> Assistant Adviser, Division of Inter-  
 national Finance, Board of Governors

Mr. Wendel, Chief, Government Finance Section,  
 Division of Research and Statistics, Board  
 of Governors

Messrs. Enzler<sup>2/</sup> and Peret,<sup>2/</sup> Economist and  
 Senior Economist, respectively, Division of  
 Research and Statistics, Board of Governors

Mr. Roxon,<sup>2/</sup> Senior Economist, Division of  
 International Finance, Board of Governors

Miss Eaton, Open Market Secretariat Assistant,  
 Office of the Secretary, Board of Governors

Mrs. Rehanek,<sup>1/</sup> Secretary, Office of the Secretary,  
 Board of Governors

Mr. Merritt, First Vice President, Federal  
 Reserve Bank of San Francisco

Messrs. Parthemos, Scheld, Andersen, Tow, and  
 Craven, Senior Vice Presidents, Federal  
 Reserve Banks of Richmond, Chicago, St. Louis,  
 Kansas City, and San Francisco, respectively

Mr. Bodner,<sup>2/</sup> Vice President, Federal Reserve  
 Bank of New York

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<sup>1/</sup> Attended Tuesday session only.

<sup>2/</sup> Attended Monday session only.

Mr. Garvy, Economic Adviser, Federal Reserve  
Bank of New York  
Mr. Cooper,<sup>1/</sup> Assistant Vice President, Federal  
Reserve Bank of New York  
Mr. Cox, Senior Financial Economist, Federal  
Reserve Bank of Atlanta  
Mr. McNees, Economist, Federal Reserve Bank  
of Boston

Secretary's Note: All of the actions listed below  
were taken on Tuesday, June 20, 1972.

By unanimous vote, the minutes of actions taken at the  
meeting of the Federal Open Market Committee on April 18, 1972,  
were approved.

The memorandum of discussion for the meeting of the Federal  
Open Market Committee on April 18, 1972, was accepted.

By unanimous vote, Thomas J. O'Connell was elected Assistant  
General Counsel of the Federal Open Market Committee, to serve for the  
period from July 1, 1972, until the date of the first meeting of the  
Committee after February 28, 1973, with the understanding that in the  
event of the discontinuance of his official connection with the Board  
of Governors he would cease to have any official connection with the  
Federal Open Market Committee.

By unanimous vote, the System open market transactions in  
foreign currencies during the period May 23 through June 19, 1972,  
were approved, ratified, and confirmed.

By unanimous vote, renewal for further periods of 3 months  
of the 4 System drawings on the National Bank of Belgium maturing  
in the period July 3-28, 1972 was authorized.

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<sup>1/</sup> Attended Tuesday session only.

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By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period May 23 through June 19, 1972, were approved, ratified, and confirmed.

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions for the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting, including recent data for such measures of business activity as industrial production, employment, and retail sales, suggests that real output of goods and services is growing at a faster rate in the current quarter than in the two preceding quarters, but the unemployment rate remains high. In May wholesale prices of farm and food products advanced appreciably--after having changed little in April--and the rise in prices of industrial commodities remained substantial. The most recent data suggest some moderation in the pace of advance in wage rates. The U.S. balance of payments has been in surplus in recent weeks on both the official settlements basis and the net liquidity basis. In April, however, the excess of merchandise imports over exports was even larger than in February and March. Some strains have developed in international financial markets recently, involving European currencies.

Growth in the narrowly defined money stock slowed further in May, while growth in the broadly defined money stock stepped up somewhat as inflows of consumer-type time and savings deposits to banks expanded considerably; over the April-May period, growth in both measures of the money stock was well below the high rates in the first quarter of the year. The outstanding volume of large-denomination CD's increased substantially further in May, and expansion in the bank credit proxy remained rapid. In recent weeks, market interest rates have continued to fluctuate in a narrow range.

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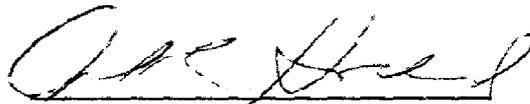
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In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to sustainable real economic growth and increased employment, abatement of inflationary pressures, and attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, while taking account of possible Treasury financing and developments in capital markets, the Committee seeks to achieve bank reserve and money market conditions that will support moderate growth in monetary aggregates over the months ahead.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, July 18, 1972, at 9:30 a.m.

The meeting adjourned.

  
Secretary